



County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

October 9, 2012

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

13 October 23, 2012

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

**AUTHORIZATION TO EXTEND CONTRACT NUMBERS 75380, 75381, AND 75382
FOR THIRD PARTY WORKERS' COMPENSATION
CLAIMS ADMINISTRATION SERVICES
(ALL DISTRICTS – 3 VOTES)**

SUBJECT

This recommendation by the Chief Executive Office (CEO) seeks the Board's authorization to amend Contract No. 75380 with TRISTAR Risk Management No. 2, Inc. (TRISTAR 2); Contract No. 75381 with TRISTAR Risk Management (TRISTAR), [collectively both referred to as TRISTAR]; and Contract No. 75382 with Acclamation Insurance Management Services, Inc. (AIMS), effective as of January 1, 2013, to extend the term for a period of six (6) months through June 30, 2013.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve and instruct the Chairman to sign the attached amendments to extend Contract No. 75380 and Contract No. 75381 with TRISTAR, and Contract No. 75382 with AIMS, for an additional six (6) months beginning January 1, 2013 and continuing through June 30, 2013, at a total base cost of \$9,175,568.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The current contracts for third party workers' compensation claims administration services will expire on December 31, 2012. A Request for Proposals (RFP) was released on May 4, 2012 to replace the services provided under the current contracts with TRISTAR and AIMS. Upon advice of County Counsel, it was determined that the RFP should be cancelled, revised and reissued. Also, during this period of time, the California legislature passed Senate Bill 863, legislation that greatly reformed the California workers' compensation system. The new RFP was released on

"To Enrich Lives Through Effective And Caring Service"

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September 24, 2012. This solicitation process will not be completed before the expiration of the current contracts. The purpose of the recommended action is to ensure uninterrupted workers' compensation claims administration services in order to maintain program stability and meet State and other statutory requirements.

Implementation of Strategic Plan Goals

The recommended action requested herein is consistent with the County's Strategic Plan Goal 1, Operational Effectiveness, allowing continuous high-level service to the County.

FISCAL IMPACT/FINANCING

For the six-month extension period, TRISTAR and AIMS will be paid at the rates specified below, for a total base cost of \$9,175,568:

Third Party Administrator	Monthly Base Fee	Six-Month Total
TRISTAR 2	\$613,907.00	\$3,683,442
TRISTAR	\$383,124.92	\$2,298,750
AIMS	\$532,229.31	\$3,193,376

The total paid to TRISTAR for the two contracts for Fiscal Year 2011-12 was \$11,574,165; and total paid to AIMS was \$6,178,448.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On September 20, 2005, after a formal solicitation process, the Board approved Contracts 75380, 75381, and 75382, effective January 1, 2006 through December 31, 2010.

In 2009, under the Countywide Contract Extension and Reduction Initiative, TRISTAR and AIMS agreed to extend the contracts for two years and reduce their fees by five percent (5%) for the period of January 1, 2010 through December 31, 2012.

For the extension period, January 1, 2013 through June 30, 2013, the CEO will pay TRISTAR and AIMS the rates in effect before the reductions took place effective January 1, 2010. This represents a 3.2 percent increase over the current rates.

CONTRACTING PROCESS

After cancellation of an earlier RFP in September 2012, the CEO initiated a new solicitation to replace Contracts 75380, 75381, and 75382. The new solicitation will not be completed by the time these current contracts expire on December 31, 2012.

Extension of the current contracts will not only ensure uninterrupted workers' compensation claims administration services, but will also allow the CEO to complete the solicitation for replacement contracts.

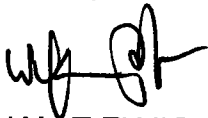
IMPACT ON CURRENT SERVICES

There will be no impact on current services; approval of the contract extensions provides for continuation of existing services.

CONCLUSION

Upon approval by the Board, please return two signed originals of each amendment and one adopted copy of the letter to the CEO Risk Management Branch, attention Steven E. NyBlom, Acting Risk Manager.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:EFS
SEN:RC:tv

Attachments

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller

**THIRD PARTY WORKERS' COMPENSATION CLAIMS
ADMINISTRATION SERVICES CONTRACT**

TRISTAR RISK MANAGEMENT NO. 2, INC.

AMENDMENT NO. 2 TO CONTRACT NO. 75380

WHEREAS, on September 20, 2005, the County of Los Angeles, hereinafter "County", entered into Contract No. 75380 with TRISTAR Risk Management No. 2, Inc., hereinafter "Contractor" for Third Party Workers' Compensation Claims Administration Services; and

WHEREAS, Contract No. 75380 will expire on December 31, 2012; and

WHEREAS, County is in the process of soliciting for new Workers' Compensation Claims Administration Services to replace Contract No. 75380, but such solicitation will not be completed on January 1, 2013; and

WHEREAS, the parties mutually agree to extend the term of Contract No. 75380 for six (6) months for the completion of the solicitation; and

NOW THEREFORE, in consideration of the mutual benefits derived therefrom, it is agreed by the parties that Contract No. 75380 shall be amended as follows:

1. This Amendment No. 2 shall commence and be effective on January 1, 2013.
2. Paragraph 4.0, TERM OF CONTRACT, Subparagraph 4.1, shall be deleted in its entirety and replaced with the following:
 - 4.1 The term of this Contract shall commence on January 1, 2006, and shall continue in full force and effect until June 30, 2013, unless sooner terminated, in whole or in part as provided in this Contract.
3. Exhibit B.1, PRICING SCHEDULE is replaced in its entirety by Exhibit B.2, attached hereto and incorporated herein by reference. All references to Exhibit B.1 in the Contract shall hereafter be replaced by Exhibit B.2.
4. Except for the changes set forth above, Contract No. 75380 shall not be changed in any respect by this Amendment No. 2.

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IN WITNESS WHEREOF, the Contractor has executed this Amendment No. 2, or caused it to be duly executed and the County of Los Angeles, by order of its Board of Supervisors has caused this Amendment No.2 to be executed on its behalf by the Chairman of said Board and attested by the Executive Officer-Clerk of the Board of Supervisors thereof.

CONTRACTOR:

TRISTAR RISK MANAGEMENT NO. 2, INC.

By: _____

Name: _____

Title: _____

Date: _____

James Soto

Vice President, Regional Mgr.

9/27/12

COUNTY OF LOS ANGELES

By: _____

Chairman, Board of Supervisors

ATTEST:

SACHI A. HAMAI
Executive Officer-Clerk
Board of Supervisors

By: _____

Deputy

OCT 23 2012



I hereby certify that pursuant to
Section 25103 of the Government Code,
delivery of this document has been made.

SACHI A. HAMAI
Executive Officer
Clerk of the Board of Supervisors

By: _____

Deputy

OCT 23 2012

APPROVED AS TO FORM:

JOHN F. KRATTLI
County Counsel

By: _____

Principal Deputy County Counsel

Date: _____

9/26/12

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

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OCT 23 2012

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

EXHIBIT B.2

PRICING SCHEDULE

UNIT 1 – TRISTAR RISK MANAGEMENT NO. 2
CONTRACT NO. 75380

YEARS	ANNUAL	MONTHLY
YEAR 1 (2006)^C	\$6,903,000.00	\$575,250.00
YEAR 2 (2007)^{A,B,C}	\$7,075,575.00	\$589,631.25
YEAR 3 (2008)^{A,B,C}	\$7,358,598.00	\$613,216.50
YEAR 4 (2009)^{A,B,C}	\$7,366,884.00	\$613,907.00
YEAR 5 (2010)^{A,B,C,D}	\$7,126,613.00	\$593,885.00
YEAR 6 (2011)^{A,B,C,D}	\$7,126,613.00	\$593,885.00
YEAR 7 (2012)^{A,B,C,D}	\$7,126,613.00	\$593,885.00
1/1/2013 – 6/30/2013^{A,B,C,E}	N/A	\$613,907.00

^A Denotes a cost-of-living adjustment capped at the lesser of:

1. The most recently published percentage change in the Bureau of Labor Statistics, Los Angeles-Riverside-Orange County, Consumer Price Index for Urban Consumers (CPI-U) for the 12 months preceding the contract anniversary date; or
2. The general salary movement percentage for County employees for the 12-month period preceding the prior July 1.

^B The number of new indemnity claims submitted in Calendar Year 2004 for Unit 1 was 2,046. For any calendar year where the number of new indemnity claims, administered by workers' compensation claims examiners, exceeds 2,046 by 175, the County shall pay the Contractor an additional \$48,000 within 60 days of the end of the calendar year. If the total number of new indemnity claims exceeds 2,046 by 350 new indemnity claims, administered by workers' compensation claims examiners, the County shall pay the Contractor an additional \$96,000 within 60 days of the end of the calendar year. If the total number of new indemnity claims exceeds 2,046 by 525 new indemnity claims, administered by workers' compensation claims examiners, the County shall pay the Contractor an additional \$144,000 within 60 days of the end of the calendar year, and etc.

- C For any quarter where the Contractor's open indemnity caseload, administered by workers' compensation claims examiners, is equal to or less than 6,325, the monthly base fee shall be reduced by \$4,000. For any quarter where the Contractor's open indemnity caseload, administered by workers' compensation claims examiners, is equal to or less than 6,150, the monthly base fee shall be reduced by \$8,000. For any quarter where the Contractor's open indemnity caseload, administered by workers' compensation claims examiners, is equal to or less than 5,975, the monthly base fee shall be reduced by \$12,000, and etc.
- D In Year 5 (2010), Contractor agreed to a 5% annual cost reduction from Year 4, plus a 1.83% cost-of-living adjustment. There were no cost-of-living increases for Years 6 and 7.
- E For the extension period of January 1, 2013 through June 30, 2013, Contractor will be paid at the Year 4 monthly rate.

**THIRD PARTY WORKERS' COMPENSATION CLAIMS
ADMINISTRATION SERVICES CONTRACT**

TRISTAR RISK MANAGEMENT

AMENDMENT NO. 2 TO CONTRACT NO. 75381

WHEREAS, on September 20, 2005, the County of Los Angeles, hereinafter "County", entered into Contract No. 75381 with TRISTAR Risk Management, hereinafter "Contractor" for Third Party Workers' Compensation Claims Administration Services; and

WHEREAS, Contract No. 75381 will expire on December 31, 2012; and

WHEREAS, County is in the process of soliciting for new Workers' Compensation Claims Administration Services to replace Contract No. 75381, but such solicitation will not be completed on January 1, 2013; and

WHEREAS, the parties mutually agree to extend the term of Contract No. 75381 for six (6) months for the completion of the solicitation; and

NOW THEREFORE, in consideration of the mutual benefits derived therefrom, it is agreed by the parties that Contract No. 75381 shall be amended as follows:

1. This Amendment No. 2 shall commence and be effective on January 1, 2013.
2. Paragraph 4.0, TERM OF CONTRACT, Subparagraph 4.1, shall be deleted in its entirety and replaced with the following:
 - 4.1 The term of this Contract shall commence on January 1, 2006, and shall continue in full force and effect until June 30, 2013, unless sooner terminated, in whole or in part as provided in this Contract.
3. Exhibit B.1, PRICING SCHEDULE is replaced in its entirety by Exhibit B.2, attached hereto and incorporated herein by reference. All references to Exhibit B.1 in the Contract shall hereafter be replaced by Exhibit B.2.
4. Except for the changes set forth above, Contract No. 75381 shall not be changed in any respect by this Amendment No. 2.

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IN WITNESS WHEREOF, the Contractor has executed this Amendment No. 2, or caused it to be duly executed and the County of Los Angeles, by order of its Board of Supervisors has caused this Amendment No.2 to be executed on its behalf by the Chairman of said Board and attested by the Executive Officer-Clerk of the Board of Supervisors thereof.

CONTRACTOR:

TRISTAR RISK MANAGEMENT

By: [Signature]

Name: James Soto

Title: Vice President, Regional Mgr.

Date: 9/27/2012

COUNTY OF LOS ANGELES

By: [Signature]

Chairman, Board of Supervisors

ATTEST:

SACHI A. HAMAI
Executive Officer-Clerk
Board of Supervisors

By: [Signature]
Deputy OCT 23 2012

APPROVED AS TO FORM:

JOHN F. KRATTLI
County Counsel

By: [Signature]
Principal Deputy County Counsel

Date: 9/26/12



I hereby certify that pursuant to
Section 25103 of the Government Code,
delivery of this document has been made.

SACHI A. HAMAI
Executive Officer
Clerk of the Board of Supervisors

By: [Signature]
Deputy OCT 23 2012

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

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OCT 23 2012

[Signature]
SACHI A. HAMAI
EXECUTIVE OFFICER

EXHIBIT B.2

PRICING SCHEDULE

UNIT 2 – TRISTAR RISK MANAGEMENT
CONTRACT NO. 75381

YEARS	ANNUAL	MONTHLY
YEAR 1 (2006) ^C	\$4,308,000.00	\$359,000.00
YEAR 2 (2007) ^{A,B,C}	\$4,415,700.00	\$367,975.00
YEAR 3 (2008) ^{A,B,C}	\$4,592,328.00	\$382,694.00
YEAR 4 (2009) ^{A,B,C}	\$4,597,499.04	\$383,124.92
YEAR 5 (2010) ^{A,B,C,D}	\$4,447,552.00	\$370,629.00
YEAR 6 (2011) ^{A,B,C,D}	\$4,447,552.00	\$370,629.00
YEAR 7 (2012) ^{A,B,C,E}	\$4,447,552.00	\$370,629.00
1/1/2013 – 6/30/2013 ^{A,B,C,D}		\$383,124.92

^A Denotes a cost of living adjustment capped at the lesser of:

1. The most recently published percentage change in the Bureau of Labor Statistics, Los Angeles-Riverside-Orange County, Consumer Price Index for Urban Consumers (CPI-U) for the 12 months preceding the contract anniversary date; or
2. The general salary movement percentage for County employees for the 12-month period preceding the prior July 1.

^B The number of new indemnity claims submitted in Calendar Year 2004 for Unit 2 was 1,093. For any calendar year where the number of new indemnity claims, administered by workers' compensation claims examiners, exceeds 1,093 by 175, the County shall pay the Contractor an additional \$48,000 within 60 days of the end of the calendar year. If the total number of new indemnity claims exceeds 1,093 by 350 new indemnity claims, administered by workers' compensation claims examiners, the County shall pay the Contractor an additional \$96,000 within 60 days of the end of the calendar year. If the total number of new indemnity claims exceeds 1,093 by 525 new indemnity claims, administered by workers' compensation claims examiners, the County shall pay the Contractor an additional \$144,000 within 60 days of the end of the calendar year, and etc.

- C For any quarter where the Contractor's open indemnity caseload, administered by workers' compensation claims examiners, is equal to or less than 3,875, the monthly base fee shall be reduced by \$4,000. For any quarter where the Contractor's open indemnity caseload, administered by workers' compensation claims examiners, is equal to or less than 3,700, the monthly base fee shall be reduced by \$8,000. For any quarter where the Contractor's open indemnity caseload, administered by workers' compensation claims examiners, is equal to or less than 3,525, the monthly base fee shall be reduced by \$12,000, and etc.
- D In Year 5 (2010), Contractor agreed to a 5% annual cost reduction from Year 4, plus a 1.83% cost-of-living adjustment. There were no cost of living increases for Years 6 and 7.
- E For the extension period of January 1, 2013 through June 30, 2013, Contractor will be paid at the Year 4 monthly rate.

**THIRD PARTY WORKERS' COMPENSATION CLAIMS
ADMINISTRATION SERVICES CONTRACT**
ACCLAMATION INSURANCE MANAGEMENT SERVICES, INC.
AMENDMENT NO. 2 TO CONTRACT NO. 75382

WHEREAS, on September 20, 2005, the County of Los Angeles, hereinafter "County", entered into Contract No. 75382 with Acclamation Insurance Management Services, Inc., hereinafter "Contractor" for Third Party Workers' Compensation Claims Administration Services; and

WHEREAS, Contract No. 75382 will expire on December 31, 2012; and

WHEREAS, County is in the process of soliciting for new Workers' Compensation Claims Administration Services to replace Contract No. 75382, but such solicitation will not be completed on January 1, 2013; and

WHEREAS, the parties mutually agree to extend the term of Contract No. 75382 for six (6) months for the completion of the solicitation; and

NOW THEREFORE, in consideration of the mutual benefits derived therefrom, it is agreed by the parties that Contract No. 75382 shall be amended as follows:

1. **This Amendment No. 2 shall commence and be effective on January 1, 2013.**
2. **Paragraph 4.0, TERM OF CONTRACT, Subparagraph 4.1, shall be deleted in its entirety and replaced with the following:**
 - 4.1 The term of this Contract shall commence on January 1, 2006, and shall continue in full force and effect until June 30, 2013, unless sooner terminated, in whole or in part as provided in this Contract.
3. **Exhibit B.1, PRICING SCHEDULE is replaced in its entirety by Exhibit B.2, attached hereto and incorporated herein by reference. All references to Exhibit B.1 in the Contract shall hereafter be replaced by Exhibit B.2.**
4. **Except for the changes set forth above, Contract No. 75382 shall not be changed in any respect by this Amendment No. 2.**

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IN WITNESS WHEREOF, the Contractor has executed this Amendment No. 2, or caused it to be duly executed and the County of Los Angeles, by order of its Board of Supervisors has caused this Amendment No.2 to be executed on its behalf by the Chairman of said Board and attested by the Executive Officer-Clerk of the Board of Supervisors thereof.

CONTRACTOR:

ACCLAMATION INSURANCE MANAGEMENT SERVICES, INC.

By: 

Name: Dominic Russo

Title: President & CEO

Date: 9/28/12

COUNTY OF LOS ANGELES

By: 
Chairman, Board of Supervisors

ATTEST:

SACHI A. HAMAI
Executive Officer-Clerk
Board of Supervisors

By: 
Deputy

OCT 23 2012



I hereby certify that pursuant to Section 25103 of the Government Code, delivery of this document has been made.

SACHI A. HAMAI
Executive Officer
Clerk of the Board of Supervisors

By: 
Deputy

OCT 23 2012

APPROVED AS TO FORM:

JOHN F. KRATTLI
County Counsel

By: 
Principal Deputy County Counsel

Date: 9/26/12

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

13

OCT 23 2012



SACHI A. HAMAI
EXECUTIVE OFFICER

EXHIBIT B.2

PRICING SCHEDULE

**UNIT 4 – ACCLAMATION INSURANCE MANAGEMENT SERVICES, INC.
CONTRACT NO. 75382**

YEARS	ANNUAL	MONTHLY
YEAR 1 (2006)^{A,D}	\$5,984,585.64	\$457,155.47
YEAR 2 (2007)^{B,C,D}	\$6,134, 200.28	\$511, 183.36
YEAR 3 (2008)^{B,C,D}	\$6,379,568.29	\$531,630.69
YEAR 4 (2009)^{B,C,D}	\$6,386,751.72	\$532,229.31
YEAR 5 (2010)^{B,C,D,E}	\$6,178,447.81	\$514,870.65
YEAR 6 (2011)^{B,C,D,E}	\$6,178,447.81	\$514,870.65
YEAR 7 (2012)^{B,C,D,E}	\$6,178,447.81	\$514,870.65
1/1/2013 - 6/30/2013^{B,C,D,F}	N/A	\$532,229.31

^A Start up costs of \$498,720.00 were billed and due January 1, 2006. Year 1 monthly fee payments were reduced by \$41,560.00 per month.

^B Denotes a cost of living adjustment capped at the lesser of:

1. The most recently published percentage change in the Bureau of Labor Statistics, Los Angeles-Riverside-Orange County, Consumer Price Index for Urban Consumers (CPI-U) for the 12 months preceding the contract anniversary date; or
2. The general salary movement percentage for County employees for the 12-month period preceding the prior July 1.

^C The number of new indemnity claims submitted in Calendar Year 2004 for Unit 4 was 2,224. For any calendar year where the number of new indemnity claims, administered by workers' compensation claims examiners, exceeds 2,224 by 175, the County shall pay the Contractor an additional \$42,240 within 60 days of the end of the calendar year. If the total number of new indemnity claims exceeds 2,224 by 350 new indemnity claims, administered by workers' compensation claims examiners, the County shall pay the Contractor an additional \$84,480 within 60 days of the end of the calendar year. If the total number of new indemnity claims exceeds 2,224 by 525 new indemnity claims, administered by workers' compensation claims examiners, the County shall pay the Contractor an additional \$126,720 within 60 days of the end of the calendar year, and etc.

- ^D For any quarter where the Contractor's open indemnity caseload, administered by workers' compensation claims examiners, is equal to or less than 5,125, the monthly base fee shall be reduced by \$3,520. For any quarter where the Contractor's open indemnity caseload, administered by workers' compensation claims examiners, is equal to or less than 4,950, the monthly base fee shall be reduced by \$7,040. For any quarter where the Contractor's open indemnity caseload, administered by workers' compensation claims examiners, is equal to or less than 4,775, the monthly base fee shall be reduced by \$10,580, and etc.
- ^E Beginning in Year 5 (2010), Contractor agreed to a 5% annual cost reduction from Year 4, plus a 1.83% cost-of-living adjustment. There were no cost-of-living increases in Years 6 and 7.
- ^F For the extension period of January 1, 2013 through June 30, 2013, Contractor will be paid at the Year 4 monthly rate.